

## **National Council of Women Australia (NCWA) Submission and comment to the Retirement Income Review Consultation Paper 2019**

### **Terms of Reference:**

As recommended by the Productivity Commission in its report "Superannuation Assessing Efficiency and Competitiveness" the Government is commissioning an independent Retirement Income Review.

Australia's retirement income system is based on three pillars:

- a means tested Aged Pension;
- compulsory superannuation; and
- voluntary savings, including home ownership

It is important that the system allows Australians to achieve adequate retirement incomes, is fiscally sustainable and provide appropriate incentives for self-provision in retirement.

The Review will establish a fact base of the current retirement income system that will improve understanding of its operation and the outcomes it is delivering for Australians. The Retirement Income Review will identify:

- how the retirement income system supports Australians in retirement;
- the role of each pillar in supporting Australians through retirement; distributional impacts across the population over time; and
- the impact of current policy settings on public finances.

### **Introduction:**

National Council of Women Australia (NCWA) welcomes this opportunity to make a short submission to the Retirement Income Review. NCWA is a non-government umbrella organisation working for the advancement of women and their families. It has Constituent Councils in each State and the ACT with an extensive membership of Affiliate organisations (all with significant membership numbers) and Associate members (women who join as an individual) NCWA also has a national membership of national organisations. The membership organisations are diverse groups and include Aboriginal organisations, organisations with Cultural and Linguistically Diverse (CALD) membership, church, family and grandparent organisations.

NCWA is an advocacy organisation. Members raise issues of concern especially around retirement income and older Australians (especially women) living in poverty. The age pension, rent assistance and different types of income support payments, lack of superannuation for older Australians (especially women), suitable and affordable housing for older Australian women are significant concerns for many Australians.

The Australian population is growing and ageing. According to the Australian Institute of Health and Welfare<sup>1</sup> the Australian population has grown by 33% from 18.8 million in 1999 to 25 million 2018, with the over 65 aged group experiencing the fastest growth. This age group accounted for 12% of the population in 1999 and 17% in 2018.

Australians are also living longer, there are more Australians with a disability and the proportion of single or lone person households (majority women) increased to 24% in 2016<sup>2</sup> and is continuing to increase.

Many Australian women face an insecure retirement. Men and women experience work very differently. Women still today are more likely to work in lower paid roles and are more likely to work part-time or casually and often take breaks from employment to raise young children and provide unpaid care for others. As such over a lifetime they will earn significantly less than men.

#### **Submission:**

##### **Pillar 1: A means-tested Age Pension:**

As stated in the consultation paper a national Age Pension was first introduced in 1909. The Age Pension continues to be means tested as a safety net however as stated in the Pension Review Report<sup>3</sup> it should provide a “basic acceptable standard of living, accounting for prevailing community standards”.

Unfortunately living on the Age Pension is now pushing many older Australians who are in the private rental market below the poverty line. For the growing number of older Australians in the private market finding an affordable and suitable home is becoming more and more daunting.

Older Australians who are renters are significantly economically disadvantaged. Many have no asset base and little or no savings. Many older people on low incomes are more likely to be in single person households and suffering social isolation. There is a strong link between social isolation and disadvantage which can lead to physical and mental health issues.

Older single women are the fastest growing cohort of people experiencing housing stress and homelessness. In the ten years leading up to 2016 there was a huge increase in the number of older women forced to rent in the private market. Many women retire with less because of time taken out of the workforce, lower pay (the gender pay gap still sits at 14% nationally), family breakdown and domestic and family violence.

Currently the single maximum fortnightly payment for rent assistance is \$138.00 – to receive the single maximum fortnightly payment the fortnightly rent must be at least \$307.20.<sup>4</sup> NCWA members advise that those in the private rental market pay at least \$600 per fortnight for a private house/ unit rental.

To qualify for a full Age Pension as a single person your income must be below \$174.00 per fortnight. There is also an assets test. The “work bonus” is currently \$300 per fortnight which is the amount a single eligible pensioner can earn from work before it affects their pension rate. The income amount and “work bonus” should be reviewed and increased twice yearly along with the aged pension.

Unfortunately the aged care system in Australia assumes people own their own home and is itself focusing on providing care in the home. Private rentals are not secure and renters can find it difficult to obtain approval for modifications that would help them get care in their home agreed by the landlord.

Very few people receiving the Aged Pension can afford private health care. Consequently they wait inordinate "wait times" for medical and dental treatment. Gap costs are a major contributor to rising "out of pocket expenses" along with GP fees and as such the Medicare rebate cannot keep up.

**Recommendations:**

- 1. The Australian Government urgently review the adequacy of Commonwealth Rent Assistance for single pensioners in particular. As it is no longer adequate it should be increased and indexed to rental costs.**
- 2. The Australian Government should increase the income amount an individual Aged Pensioner can earn before affecting the full aged pension along with the "work bonus". This should be done on a twice yearly basis as is currently the case with the aged pension.**
- 3. The Australian Government should immediately review the Health Care rebate, "out of pocket" spiralling health costs including fees for specialists, cost effective private health cover premiums and increase funding from Medicare across more services including public hospitals for older retired Australians on low fixed incomes and Aged Pensions.**
- 4. The Australian Government should immediately introduce programs to increase the amount of social housing stock available for Aged Pension and low income recipients.**
- 5. The Australian Government must look closely at its aged care policy so that it takes into account the particular difficulties confronting older Australians in the private rental market.**

**Pillar 2: Compulsory superannuation:**

The Australian Superannuation guarantee was introduced in 1992 and was designed to help individuals accumulate money for retirement by requiring employers to contribute an amount calculated as a defined percentage of earnings to an employees superannuation fund.

Despite an increase in women's workforce participation there is now a considerable superannuation gender gap which can be contributed to a range of interrelated and complex factors including the structure of the current superannuation system. At present the system favours higher income earners who work full-time and throughout their working life. All research points to women often having interrupted work patterns (child rearing and caring for others -often older parents) and part-time work because of primary caring responsibilities and are more likely to work in lower paid work.

The current structure of the superannuation system does not adequately take into account these different work experiences. Removing the exemption from paying the superannuation guarantee to employees who earn less than \$450 a month will help level the impact for women in multiple jobs or who work a small number of hours. It will also encourage women (single parents with one child) who may be discouraged from earning over \$450 per month because of the affect parenting payments.

The important changes to superannuation accounts announced in the 2018 Federal Budget including fees capped at 3% for accounts with balances less than \$6000 (low balances), the banning of exit fees and opt-in only for insurance for low balance accounts became law in 2019. As such the changes will assist supporting the removal of the exemption for paying the superannuation guarantee to employees who earn less than \$450 a month. Low superannuation balances can no longer be consumed by

exorbitant fees and charges. The Australian Government can easily amend the Superannuation Guarantee (Administration) Act 1992 to remove the exemption from paying the superannuation guarantee in respect of employees who earn less than \$450 a month.

Unfortunately to date the superannuation guarantee is not paid on the Commonwealth Paid Parental Leave Scheme and Carer payment. The superannuation guarantee is included in annual leave payments and many companies include superannuation contributions in their paid parental leave.

The two main flaws with Australia's superannuation system are under performing funds and the number of employees who have multiple accounts- as such low income employees are the most disadvantaged.

**Recommendations:**

**1. The Australian Government should immediately act to amend the Superannuation Guarantee (Administration) Act 1992 to remove the exemption from paying the superannuation guarantee in respect of employees who earn less than \$450 a month.**

**2. The Australian Government should include the superannuation guarantee being paid on the Paid Parental Leave Scheme and Carer payment.**

**3. The Australian Government should have an objective for the superannuation system that includes specific reference to women's retirement incomes.**

**4. Any Australian Government policy analysis in relation to the superannuation guarantee should compare the impact for men and women.**

**5. The Australian Government should amend the Sex Discrimination Act 1984 to ensure companies and businesses are able to make higher superannuation payments for their female employees if they wish to do so.**

**Pillar 3: Voluntary savings, including home ownership:**

Home ownership has declined in Australia since the early 2000s including those Australians aged over 65 years of age and also young Australians according to Census data.<sup>5</sup>

Lack of secure housing for older Australian's especially older single women is almost at crisis point. There is an urgent need for more social housing. It is an opportune time to explore the building of multi-person unit dwellings with individual bedroom and bathroom and common living areas.

Lack of home ownership for young Australians will mean severe problems for retirement incomes in years to come unless home ownership affordability is addressed especially in the State capital cities where most of the jobs are located.

Housing affordability is predominantly a State Government issue and an increase in social housing stock must be addressed immediately. Additional land release for housing must become a priority.

**Recommendations:**

**1. State Governments must release additional land for housing stock.**

**2. See recommendation 4 in Pillar1.**

**3. Explore and evaluate building new innovative multi-person options for social housing**

**Conclusion:**

The retirement income for many Australians is neither adequate, equitable, sustainable or cohesive. The Aged Pension and the superannuation system for many in retirement are not providing an adequate retirement income and in some cases distinctly disadvantage some especially older single women.

While the retirement incomes system should encourage self reliance, it should also provide a minimum acceptable standard of living for those who are unable to provide for themselves. It is this cohort of the population that the system is failing. There is an urgent need for a fairer retirement income system. Over the last two decades there have been notable demographic, social and economic changes in Australia. Unfortunately, the current retirement income system has not kept up with these changes.

**References:**

1. Australian Institute of Health and Welfare -Australia's Welfare 2019- data insights
2. Australia's institute of Health and Welfare- Australia's Welfare 2019-data insights
3. Pension review report- Harmer 2009
4. Department of Social Security- Pension Facts Sheet
5. Australian Bureau of statistics -Census Data



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